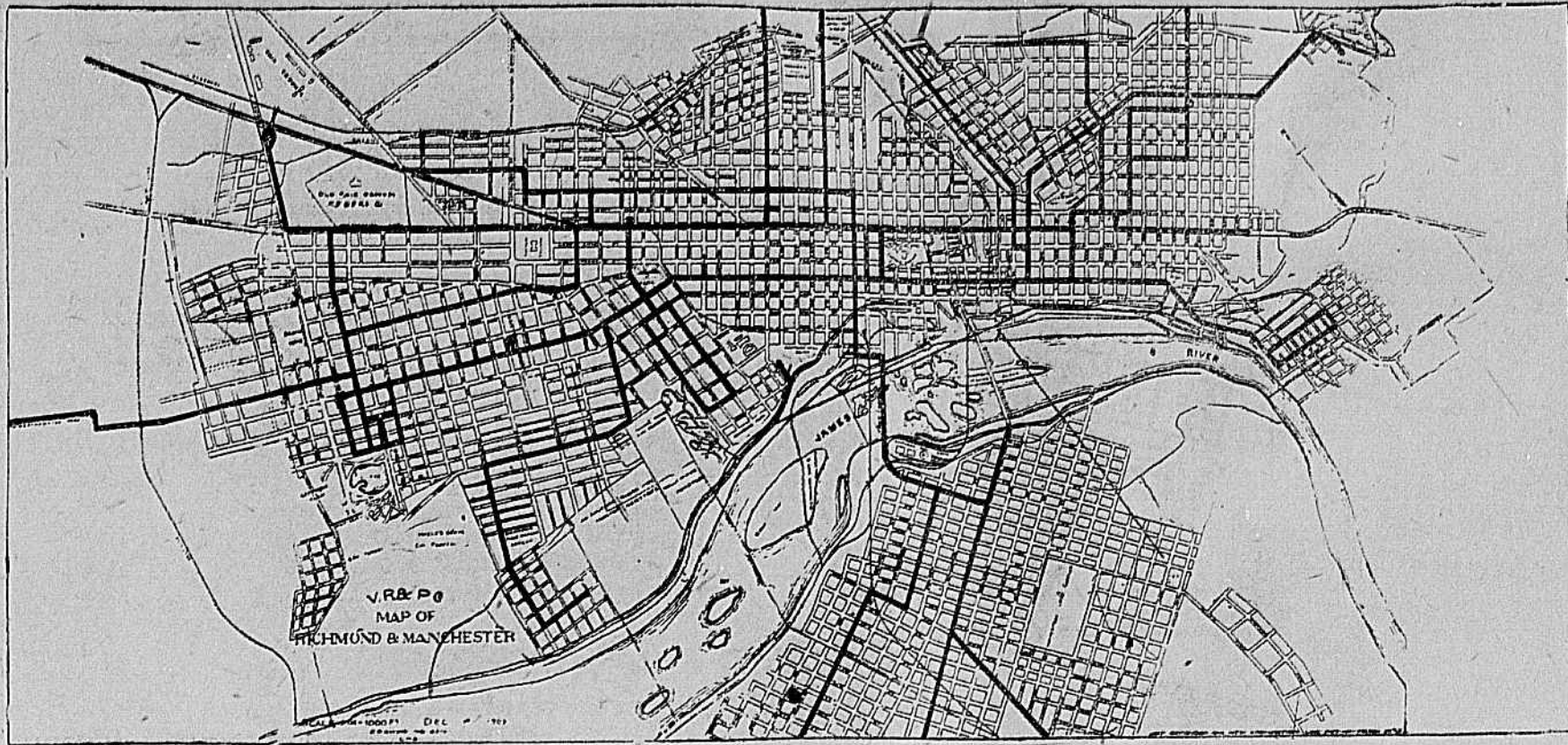


In the Matter of Modifications of the Street Railway Franchises of Richmond--Continued



MAP No. 2-PROPOSED TRackage OF RICHMOND LINES.

is out of all proportion to the taxes paid by other enterprises in the community, and that the statement so often made that the railway companies are allowed to use the streets without charge is entirely unfounded.

If the existing franchises are consolidated, resulting in the consolidation of the gross earnings, the aggregate amount of gross earnings subject to the maximum tax under the present franchises would be greatly increased, and the resulting taxation would be most burdensome. If, therefore, this consolidation of franchises is made, the rate of tax should be readjusted with reference to the consolidated income, without causing a reduction in amount of taxes paid.

This company does not suggest any reduction in the present amount of taxes paid to the city, although it is large. The entire tax paid on gross earnings in the city of Richmond for the year 1909, as shown by the above figures, is \$49,975.42, or approximately 4.9 per cent. on the gross railway earnings in this city. It seems reasonable that with the increase in the value of the property and corresponding increase in property taxes, the city should not ask that the tax on gross earnings for the use of the streets should increase at a greater rate than the earnings of the company increase. It is suggested, therefore, that if a new franchise be granted, or the present franchises be consolidated, the rate of franchise tax be fixed at 5 per cent. on the gross earnings, regardless of amount, within the city of Richmond. This would be a slight increase over the present amount paid the city, and would increase in future as the earnings increase, and with the other charges for street paving, free transportation, sprinkling and other expenses which arise incident to the operation upon the streets of the city, and which are constantly increasing, will make the public charges upon the company much heavier than those borne by any other enterprise within the community, and certainly as heavy as the traffic will bear.

VII.

RATES OF FARE.

No question with which the managers of street railways are confronted presents more difficulty than that of the fare to be charged for the service rendered. At the time that the fare was universally fixed at 5 cents per passenger, street railways consisted of short horse car lines, inferior equipment, which could be operated at a very low cost, and on which the average haul of the passenger was necessarily short and in territory of dense traffic. The introduction of electricity in street railway service has resulted in the consolidation of lines into large systems, the introduction of more expensive and efficient equipment, requiring more and higher priced men for operation. The extension of these lines into urban and suburban territory has resulted in the rapid growth of the suburbs of the city with immense increase in values of property, benefiting both the owners of the property and the municipality levying taxes thereon, but without corresponding benefit to the railway companies; indeed the result has been to force the introduction of transfers, and to greatly prolong the average haul per passenger at a higher operating expense, while the rate of fare has been constantly reduced.

Under the present franchises and ordinances under which the street railways in this city are being operated, the companies are required to furnish transportation at the different rates following:

- (a) 5 cents straight fare;
- (b) Six tickets for 25 cents, or 41-6 cents each;
- (c) Between the hours of 6 and 7 A. M. to sell tickets to all persons at 2 1/2 cents each;

(d) Subject to certain conditions, school tickets to all persons attending schools and colleges in this city, whether public or private, and without limitation as to age of the pupil, at 2 1/2 cents each.

Upon these various tickets the companies are required to give, or are now giving, transfers at substantially all points of intersection and divergence of lines and to the end of all suburban lines, without regard to length, with the exception of the Lakeside line, where the transfer only takes the passenger to and through Ginter Park. The result of this system of transfers is that a passenger upon the street railways in this city can ride from any point in the city to practically any other point in the city or suburbs for 41-6 cents, and at certain hours of the day for 21-2 cents.

The company has caused a careful analysis to be made of the actual operating cost of carrying passengers in this city, without considering interest on capital, and has ascertained such operating cost for each revenue passenger carried to be as follows:

Operating expense for each revenue passenger carried..... 2.78 cents
Taxes, State, city and county, per revenue passenger..... 0.32 cents
Depreciation, or provision for extraordinary maintenance, renewals and replacements, at 6 per cent. of gross earnings, which is the amount fixed by the engineering board in the investigation of the Chicago railways..... 0.25 cents

Total cost of carrying each revenue passenger (not including interest on capital) 3.35 cents
These figures demonstrate that every passenger carried at 21-2 cents is carried at an actual loss of 0.35 cents, making the total loss on passengers carried on the 21-2 cent tickets in the city of Richmond in the year 1909, \$18,849.03.

The average rate received for each revenue passenger carried for the first ten months of the year 1909, exclusive of transfer passengers, was 41-6 cents. The average revenue from passengers carried for the same period, including all passengers transferring as an additional passenger, was 29-7 cents.

It is obvious that at the rate of 41-6 cents for each revenue passenger carried, not including transfer passengers at a cost per passenger, including taxes and depreciation, of 3.35 cents, the margin of profit is not sufficient to give a return upon a reasonable capital under existing conditions. If transfer passengers be included as separate passengers, the operation shows a loss, and since upon a passenger transferring the company incurs all the risks, all the expense of stopping the car and the same costs to the company as an entirely new passenger, the transfer passenger must be counted as a separate passenger in order to arrive at a true basis for the actual operation of the company.

When it be considered that the passengers riding on the 21-2 cent rate, which is 0.35 cents less than the cost of carrying them, are also entitled to free

transfers to any part of the system, the hardship of the existing conditions can be appreciated.

If this subject be considered from the standpoint of car miles, the accepted unit of operation, careful analysis of the figures of the company has disclosed the fact that the average operating cost of carrying each passenger a mile, including taxes, depreciation, and excluding interest on capital, is 3.14 cents, and for two miles is 4.23 cents, and for three miles is 5.32 cents; that upon this basis the average cost of carrying a passenger from Seventh and Broad Streets to Seven Pines, a distance of 9.3-4 miles, is 21 cents, while tickets are sold at only 41-6 cents, and in certain hours only 21-2 cents; that the average cost of carrying a passenger from Seventh and Broad Streets to Westhampton Park, approximately 6 1/2 miles, is 14 cents, while tickets are sold at only 41-6 cents, and at certain hours 21-2 cents.

The same facts may be applied to any other traffic in this community, and further argument would seem unnecessary to demonstrate that the rate is utterly inadequate without considering at all a proper interest upon the capital actually invested.

As indicated above, these rates of fare were fixed at a time when the haul per passenger was much shorter and the character of the equipment less expensive, the operating cost much less and before the operation of street railways had been reduced to a sufficiently scientific basis to enable the managers thereof to arrive at the actual cost of the service. Within the past ten years the requirements of the public as to length of haul, frequency of service, expensive equipment and other conditions which go to add to the cost of maintenance and operation have greatly increased.

The cost of labor in the various departments of this company for the year 1909 over the period from 1896 to 1906 show the following increase:

Transportation Department	51.7%
Shop Department	28.67%
Track Department	28%

Bulletin No. 75 of the United Bureau of Labor shows average prices for the following articles used by railways, or, as raw materials, for the manufacture of railway supplies:

Articles.	Unit.	1897.	1907.	Per Cent.
Axes, M. C. O. Yankee.....	Each	.39	.63	74.36
Coke, Connelleville, furnace	Ton	1.62	2.33	74.69
Bar iron, best refined, from mill.....	Pound	.011	.0175	59.09
Barbed wire, galvanized.....	Cwt	1.50	2.03	48.11
Copper wire, bare.....	Pound	.1375	.2102	74.69
Doorknobs, steel, bronze, plated.....	Pair	.166	.450	171.03
Files, 8-inch.....	Dozen	.81	1.00	23.44
Hammers, Magdole, No. 1 1/2.....	Each	.38	.47	23.68
Lead pipe.....	Cwt	4.22	6.71	59.32
Locks, common, mortise.....	Each	.0833	.20	140.10
Nails, cut, 8-penny, fence and common.....	Cwt	1.23	2.16	62.41
Nails, wire, 8-penny, fence and common.....	Cwt	1.49	2.12	42.23
Pig iron, Bessemer.....	Ton	10.13	22.84	125.47
Pig iron, foundry No. 1.....	Ton	12.10	23.99	97.52
Pig iron, foundry No. 2.....	Ton	10.10	23.87	136.21
Pig iron, gray, forge Southern, coke.....	Ton	8.30	20.39	138.52
Steel billets.....	Ton	15.05	20.25	93.97
Steel rails.....	Ton	18.75	25.00	49.33
Steel sheets, black, No. 27.....	Pound	0.019	0.025	31.58
Tin, pig.....	1055	.3875	.3875	135.75
Tin plates, domestic, Bessemer, coke.....	Cwt	3.18	4.09	38.62
Zinc, sheet.....	Cwt	4.94	7.49	51.62
Brick, common domestic.....	M	4.94	6.18	24.70
Cement, Rosendale.....	Bbl	.75	.95	26.67
Doors, pine.....	Each	.81	1.88	132.76
Lumber, hemlock.....	M feet	11.00	22.25	102.27
Lime, common.....	Bbl	.72	.95	31.94
Linseed oil, raw.....	Gal	.38	.43	30.50
Lumber, maple, hard.....	M feet	26.50	32.25	21.70
Lumber, oak, white, plain.....	M feet	26.25	55.21	72.35
Lumber, oak, white, quartered.....	M feet	33.83	50.00	48.22
Lumber, pine, yellow.....	M feet	16.44	30.50	85.52
Lumber, poplar.....	M feet	30.67	53.08	80.57
Shingles, cypress.....	M	2.25	4.23	80.60
Lumber, spruce.....	M feet	14.00	24.00	71.43
Window glass, American, single, firsts.....	50 sq. ft.	2.20	2.81	27.73
6 by 8 to 10 by 15-inch.....	50 sq. ft.	1.96	2.24	14.29
Showing an average increase in cost of the materials named of 68 per cent. from 1897 to 1907.				

In the meantime, while the company is paying more for everything that it has to buy, and is furnishing much longer, quicker and better service to the public, its rates of fare and sources of revenue have been and are constantly decreasing.

The average fare per passenger on the Richmond Division (which includes Manchester), for the years 1904 to 1910, is as follows:

Years.	Including transfers (In cents.)	Excluding transfers (In cents.)
1904.....	3.19	4.21
1905.....	3.10	4.22
1906.....	3.10	4.21
1907.....	3.06	4.21
1908.....	3.00	4.15
10 months 1909.....	2.97	4.18
During the same period the extension of the transfer system either under requirements of city ordinances or in effort to meet public demands has resulted with a corresponding diminution in the revenues of the company. The percentage of revenue passengers riding on transfers for the years 1904 to 1909 inclusive, is as follows:		
1904.....	32.06%	
1905.....	34.34%	
1906.....	35.56%	
1907.....	37.41%	
1908.....	39.10%	
10 months of 1909.....	40.57%	

Street railways, like other transportation companies, are dependent upon the revenue derived from sale of transportation to the public to meet their obligations to the public, their operating expenses and fixed charges. With the increased cost of everything entering into the operating expense of street railway companies and the cost of furnishing the service (the limit of which increase does not yet seem to have been reached), with the increase in the demands of the public for improved equipment and frequency of service it is obvious that there must be some increase in the rate of fare or the companies will find it difficult to continue to perform their functions and secure capital for improvements and extensions of the lines and service. The difficulty is one which must be confronted and met by the company and the public in a spirit of fairness. If the public asks more in the way of longer hauls, quicker service, more expensive equipment, with corresponding conveniences and increase in property values, then they ought to be willing to pay more for this service and certainly to pay enough to meet the increasing costs thereof.

The business of the street railways is the only business in the community in which the price of the commodity sold, namely transportation, is fixed by law, and if the public, through its governmental bodies, undertakes to fix this compensation, that power carries with it the corresponding obligation to see that the compensation fixed is a reasonable one and changed often as the operating conditions and justice to the company may require.

There are several ways of meeting this situation.

The method employed in European cities and now being seriously considered in many American cities is that of regulating the fare by the distance traveled, and having what is known as fare zones or mileage system. This is the most equitable method, as it makes each passenger pay for what he gets in the way of transportation. It is subject to the objection that the public in America is not educated to this method, and since it increases the rate of fare with the distance traveled it tends to prevent the development of suburban communities which are distant from the centers of business and to induce the concentration of population in small areas.

If the zone or mileage system is not adopted and the companies are required to carry all passengers at the same fare, then they should be allowed to charge a sufficient fare to give a reasonable return for the service rendered based upon the average fare per passenger. A fare which was reasonable ten years ago is unreasonably low at this time, when the price of all materials and labor has greatly increased, and taxes and other public charges are much heavier; while the service rendered is better and more expensive to the company than that required ten years ago.

The management of the company desire to render to the people of the community a first class street railway service, and by the improvement and extension of such service as rapidly as conditions will warrant to contribute to the development of the suburban communities with resulting increase in property and taxable values. If the company is expected to render this service to the public it has the right on the other hand to expect that the community will view the subject in the same spirit, and be willing to pay reasonable return therefor, sufficient to meet the increasing cost of operation and other charges which the company must pay.

In connection with this subject the earnest attention of the committee invited to the abuse of the transfer privilege. In response to an insistent demand, the company has within the past year extended the transfer system an experiment. The result has been that over 40 per cent. of the revenue passengers now use transfers. The danger of looting has been increased and average revenue derived from each passenger has been correspondingly decreased, although it was already lower than the service warranted and lower than that received in other cities of this class. We would earnestly suggest that the company give transfers only at the time of the payment of fare, to good only at points of intersection, which would not restrict the present number of transfer points, but would enable the company to control the abuse transfers; and that the companies be not required to give a transfer on transfer, a custom which results in great injustice to the company, and has been abolished in many cities.

The company presents the salient facts bearing upon the subject of fare and transfers for the consideration of the committee and for discussion, stands ready to furnish any other information available which will add to reaching an intelligent and just conclusion upon these difficult questions. In a casual consideration of the facts presented from the records must convince any one that if the zone system is not adopted and the present method of charging for street railway service is followed a straight 6-cent fare is least amount under existing conditions which will enable the company to continue to render an efficient service with modern equipment and to extend system from time to time to promote the convenience and encourage the development of this community.

If the committee, with the information before them, or which the company can furnish, do not feel that they are in a position to make the investigation of this complicated question to an extent which would justify them in assuming the responsibility of determining the rates of fare to be charged, the committee will gladly join the city in submitting the whole question to the State Corporation Commission, an impartial body established by law to consider such matters, and abide by its conclusions.

We would emphasize that the management of the company does not desire to make any unreasonable charge for the service rendered. The growth and development of the properties depend upon the growth of the community; interests of the two are inseparable. We believe that the interests of the community as well as those of the company will be best subserved by fixing rate of fare upon a logical basis, which will be reasonable in the light of existing conditions. The present rate does not meet these conditions.

VIII.

FREE VIADUCT TO CHURCH HILL.

For some years past the management of this company has been considering the construction of a viaduct on Broad Street, connecting Church Hill with the western section of the city, over which the cars of the company may be operated and which would furnish a free highway for travel upon this street between the sections named.

The advantages of such a viaduct are manifest, as it would result in avoidance of heavy grades and the dangers incident to crossing the street railroad tracks, made necessary under existing conditions. Such a viaduct, however, occupying the streets between important sections of the city, should be a free highway for public travel and should be the property of the city.

With the present high and increasing taxes and public charges upon railway traffic of this company and the present low and decreasing rates of fare, it has been unable up to this time to devise any plan for the construction of such a viaduct within the limits of the company's resources.

In connection with the proposed extension and consolidation and modification of existing franchises, this company proposes as a consideration to the city for the benefits which it has asked, that it will construct a viaduct to be approved by the city authorities, the same when completed to be the property of the city and a free highway to the public, with exclusive right to the company to operate its cars across the viaduct during the life of its franchise.

While it is impossible until plans have been considered and agreed upon to state the actual cost of a viaduct of this character, it is believed that the cost could be constructed for a cost of about \$300,000, including damages to property. This would mean a fixed charge to the company of 5 per cent. on the thirty thousand dollars (\$30,000) per annum, and since the viaduct would be given to the city the total cost thereof would have to be taken care of by the company within the life of its franchise. The amount of \$300,000 distributed over a period of thirty years, would mean twenty thousand dollars (\$20,000) per annum, which, together with the interest on the cost, would aggregate sum of \$50,000 per annum to be provided by the company during the life of franchise, and would be equivalent to the payment to the city or the payment of fifty thousand dollars (\$50,000) per annum in addition to taxes and other charges hereinbefore mentioned, aggregating the sum \$135,759.74, now paid the city of Richmond.

The company would ask that this matter be considered in connection with its proposal for modification and extension of the franchises above submitted and if an agreement can be reached the details and plans for the construction of such a viaduct will be considered with the proper authorities of the city, its construction undertaken at once.

In addition thereto there are details in connection with the operation of the properties for the improvement of the service, such as the bringing of cars on the Lakeside line to Seventh and Broad Streets and the establishment of a convenient waiting room in that vicinity for the patrons of the B. Clay, Northside, Hull, Perry and Lakeside lines, and other similar matters which, for the sake of brevity, have not been made the subject of separate discussion.

In presenting these principal points of consideration in connection with this subject, it may be added that the management of the company is wedded to any particular method of arriving at a just solution of the difficulties which have been discussed. These are clearly subjects for careful and thorough consideration by the representatives of the several interests involved, and the company stands ready to present to the committee any facts from its records or any other source available which may aid the members thereof in reaching a just conclusion upon the various questions presented. If an agreement can be reached on the various subjects presented, the subject matters of this report can then be considered in form of an ordinance.

Respectfully submitted,

JOINT RAILWAY AND POWER COMPANY.
By Wm. Northrup, President.